

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Royal Botanical Gardens

### Report on the Financial Statements

We have audited the accompanying financial statements of Royal Botanical Gardens, which are comprised of the statement of financial position as at December 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Royal Botanical Gardens as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.



Ancaster, Ontario  
May 25, 2017

Chartered Accountants  
Licensed Public Accountants

(The accompanying notes form an integral part of these financial statements)

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2016


ASSETS

	2016	2015
<b>CURRENT ASSETS</b>		
Cash	\$ 1,702,534	\$ 1,911,988
Accounts receivable	540,114	259,010
Government remittances receivable	95,964	562,370
Inventory	180,615	160,261
Prepaid expenses and deposits	225,599	231,662
	2,744,826	3,125,291
INVESTMENTS (note 3)	18,139,416	16,847,417
CAPITAL ASSETS (note 5)	41,218,022	41,699,777
	\$ 62,102,264	\$ 61,672,485

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Demand loan (note 4)	\$ 1,202,495	\$ 1,604,688
Accounts payable	1,315,513	3,172,459
Deferred operating contributions (note 7)	7,935,726	8,293,528
Deferred revenue	1,714,533	1,876,910
	12,168,267	14,947,585
DEFERRED CAPITAL CONTRIBUTIONS		
- CAPITAL ASSETS (note 6)	38,983,002	38,046,518
DEFERRED CAPITAL CONTRIBUTIONS		
- CAPITAL FUNDING (note 6)	2,826,486	1,121,718
	53,977,755	54,115,821
<b>NET ASSETS</b>		
Unrestricted (note 8)	2,430,304	2,224,147
Internally restricted (note 9)	2,887,610	2,624,520
Endowments (note 10)	2,806,595	2,707,997
	8,124,509	7,556,664
	\$ 62,102,264	\$ 61,672,485

Commitments and contingencies (note 12)

  
\_\_\_\_\_  
Director

Approved by the Board

  
\_\_\_\_\_  
Director

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
<b>REVENUE</b>		
Operating grants		
Province of Ontario - Ministry of Tourism, Culture and Sport	\$ 4,036,000	\$ 4,036,000
City of Hamilton	605,200	599,206
Regional Municipality of Halton	747,963	736,295
	<u>5,389,163</u>	<u>5,371,501</u>
Amortization of deferred capital contributions (note 6)	2,422,722	1,856,178
Amortization of investment in capital assets (note 8)	3,718	7,395
Investment income (note 13)	158,076	623,012
Admissions, marketing and visitor experience (note 13)	2,569,827	2,406,348
Development - donations	805,351	800,934
Donations in-kind revenue	137,141	28,015
Membership fees	893,047	749,839
Mandated activities (note 13)	3,269,190	2,297,794
Other income	96,496	135,762
	<u>15,744,731</u>	<u>14,276,778</u>
<b>EXPENSES</b>		
Operations and maintenance		
Buildings and equipment	2,373,130	2,056,641
Amortization of capital assets (note 5)	2,426,440	1,863,573
	<u>4,799,570</u>	<u>3,920,214</u>
Mandated activities		
Horticulture - gardens, parklands and collections	2,298,173	2,115,259
Conservation and environmental programs	1,243,300	1,093,152
Scientific and research programs	553,323	539,052
Education programs	1,462,450	1,365,109
	<u>5,557,246</u>	<u>5,112,572</u>
Administration	2,100,929	2,214,278
Development fundraising	585,552	588,464
Admissions, marketing and visitor experience	2,526,177	2,386,173
Donations in-kind expenses	137,141	28,015
	<u>5,349,799</u>	<u>5,216,930</u>
	<u>15,706,615</u>	<u>14,249,716</u>
<b>EXCESS OF REVENUES OVER EXPENSES FOR OPERATIONS</b>	<b>38,116</b>	<b>27,062</b>
Change in unrealized gain on investments	171,759	40,114
Unrestricted estate donation (note 9)	88,929	2,650,974
<b>EXCESS</b>	<b>\$ 298,804</b>	<b>\$ 2,718,150</b>

(The accompanying notes form an integral part of these financial statements)

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted (note 8)	Internally restricted (note 9)	Endowments (note 10)	Total 2016	Total 2015
NET ASSETS, BEGINNING OF THE YEAR	\$ 2,224,147	\$ 2,624,520	\$ 2,707,997	\$ 7,556,664	\$ 4,081,320
Excess of revenues over expenses for operations	38,116	-	-	38,116	27,062
Unrestricted estate donation	-	88,929	-	88,929	2,650,974
Contributions received for purchase of land	-	-	-	-	867,252
Endowment contributions	-	-	2,527	2,527	2,632
Amortization of investment in capital assets	(3,718)	-	-	(3,718)	(7,395)
Funds received relating to prior years' capital	-	-	-	-	(10,942)
Investment income allocations	-	107,917	16,812	124,729	159,167
Change in unrealized gain (loss) on investments	171,759	66,244	79,259	317,262	(213,406)
NET ASSETS, END OF THE YEAR	\$ 2,430,304	\$ 2,887,610	\$ 2,806,595	\$ 8,124,509	\$ 7,556,664

(The accompanying notes form an integral part of these financial statements)

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Excess of revenues over expenses for the year	\$ 298,804	\$ 2,718,150
Adjustments for:		
- amortization of deferred capital contributions	(2,422,722)	(1,856,178)
- amortization of investment in capital assets	(3,718)	(7,395)
- deferred operating contributions recognized as revenue	(911,428)	(1,156,627)
- amortization of capital assets	2,426,440	1,863,573
- change in unrealized gain on investments	(171,759)	(40,114)
	(784,383)	1,521,409
Net changes in non-cash working capital balances from operations	(1,848,381)	1,534,104
Cash provided by (used in) operating activities	(2,632,764)	3,055,513
<b>INVESTING AND FINANCING ACTIVITIES</b>		
Increase (decrease) in demand loan	(402,193)	1,537,447
Acquisition of capital assets	(1,944,685)	(11,886,861)
Contributions received for purchase of land	-	867,252
Increase in endowments	19,339	19,114
Allocated investment income to internally restricted net assets	107,917	142,685
Deferred operating contributions and allocated investment income	407,251	958,280
Deferred capital contributions received during the year	5,063,974	8,538,105
Increase in cost of investments	(828,293)	(1,666,925)
Cash provided by (used in) investing and financing activities	2,423,310	(1,490,903)
INCREASE (DECREASE) IN CASH DURING THE YEAR	(209,454)	1,564,610
CASH AT BEGINNING OF THE YEAR	1,911,988	347,378
CASH AT END OF THE YEAR	\$ 1,702,534	\$ 1,911,988

(The accompanying notes form an integral part of these financial statements)

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

1. DESCRIPTION

Royal Botanical Gardens (the "RBG") is one of Canada's premier cultural, educational and scientific institutions, comprised of more than 1,100 hectares of horticultural display gardens, arboretum, woodlands, wetlands and 30 kilometres of trails. The RBG receives transfer payments from the Ontario Ministry of Tourism, Culture and Sport and receives additional support from the City of Hamilton (the "City"), the Regional Municipality of Halton, the RBG members, the Auxiliary of the Royal Botanical Gardens (the "Auxiliary"), many corporations, foundations and individuals.

The Auxiliary is incorporated under the laws of Ontario as a separate corporation without share capital and was established to promote the objects and interests of the RBG through volunteer service. The activities of the Auxiliary are undertaken with the approval of the Board of Directors (the "Board") of the RBG and any profits are to be used by the RBG. The accounts of the Auxiliary are not consolidated in these financial statements.

The RBG is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations applied within the framework of the significant accounting policies summarized below:

(a) Revenue Recognition

- (i) Grants are recorded as revenue when the related expenses have been incurred and the applications for the grants have been approved by the relevant government agencies. Grants received in advance of incurring the related expenses are included on the statement of financial position as deferred revenue.
- (ii) Unrestricted donations are recognized as revenue in the year in which they are received. Restricted donations are deferred and recognized as revenue in the year in which the related expenses are incurred.
- (iii) Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related assets. Externally restricted contributions for non-depreciable capital assets are recorded as a direct increase in unrestricted net assets. Externally restricted capital asset contributions that have not been spent are recorded as part of deferred capital contributions on the statement of financial position.  
  
Self-funded contributions for depreciable capital assets are deferred and amortized over the life of the related assets. Self-funded capital asset contributions that have not been expended are recorded as part of net assets invested in capital assets on the statement of financial position.
- (iv) Endowment contributions are recognized as a direct increase in endowment net assets in the year in which they are received.

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Contributed Services

Volunteers contribute numerous hours per year to assist RBG in carrying out its activities. Due to the difficulty in determining their fair value, contributed services have not been recognized in the financial statements.

(c) Donations In-Kind

Donations in-kind are recorded at their estimated fair market value at the date of donation in the statement of operations.

(d) Measurement of Financial Instruments

The RBG initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The RBG subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments as described in note 2(e).

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include demand loan and accounts payable. The RBG has designated all portfolio investments to be measured at fair value as described in note 2(e).

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

(e) Investments

All investments are recorded at fair value. The quoted market price was used to estimate the fair value of the financial instruments held as investments.

Investment income, net of investment management fees, is allocated to the restricted deferred funds and statement of operations on a prorated basis. The ratio of total endowments, internally restricted net assets and deferred operating contributions at the beginning of the month divided by the total average investment cost for the month is calculated. This ratio is then applied to the total net investment income earned for the month to determine the amount of investment income to apply to the deferred operating contributions, internally restricted net assets and endowments. Remaining unallocated net investment income is recorded in the statement of operations.

Unrealized gains and losses on investments are allocated to the restricted deferred funds and unrestricted net assets on a prorated basis. The ratio, described above, is applied to the total unrealized gains and losses at month end to determine the amount of unrealized gains and losses to apply to the deferred operating contributions, internally restricted net assets and endowments. Remaining unallocated unrealized gains and losses are included in unrestricted net assets. The change in unrestricted unrealized gains and losses are recorded in the statement of operations. When investments are sold, realized gains and losses are recognized in investment income.



ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Inventory

Inventory, consisting of items available for sale in the RBG gift shop, is valued at the lower of cost or net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

Included in admissions, marketing and visitor experience expense is \$364,739 (2015: \$344,463) of inventory expensed during the year.

(g) Capital Assets

Capital assets are recorded at cost, except for donated assets, which are recorded at fair market value at the date of contribution. The fair market value of previously donated land could not be determined and therefore, the total 1,100 hectares of land have been recorded at a nominal value of \$9,428.

Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	40 years
Mechanical equipment	20 years
Gardens and natural area infrastructures	20 years
Roadways and parking lots	20 years
Vehicles and equipment	5 years
Furniture and fixtures	10 years
Computer equipment	3 years
Media stock	5 years
Exhibits	3 years

Contributed capital assets are recognized at the fair value at the date of contribution. The contribution is recognized as revenue on the same basis as the amortization expense of the contributed capital asset.

Construction in progress is not amortized until the assets are available for use. During the year, interest of \$51,103 (2015: nil) was capitalized during the construction.

When a capital asset no longer has any long term service potential to the RBG, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

(h) Use of Estimates

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include the useful lives of capital assets, allowances for inventory obsolescence, allowances for doubtful accounts and accruals. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

3. INVESTMENTS

The investments consist of funds that are professionally managed, diversified and are invested in the following categories: cash and near cash securities, fixed income securities and equity securities.

	2016	2015
Cost of investments at December 31	\$ 15,682,605	\$ 14,854,312
Unrealized gain on investments	2,456,811	1,993,105
<b>Market value of investments at December 31</b>	<b>\$ 18,139,416</b>	<b>\$ 16,847,417</b>

Investments are valued at market as at yearend and are composed of the following types of securities:

Cash, cash equivalents and accrued interest	\$ 1,025,825	\$ 836,806
Fixed income securities	5,543,495	5,260,331
Equity securities	11,570,096	10,750,280
	<b>\$ 18,139,416</b>	<b>\$ 16,847,417</b>

4. DEMAND LOAN

The RBG has the following facilities available:

- Credit facility #1 - Overdraft lending account up to \$2,000,000 for operating requirements. The facility bears interest at prime plus 0.5%. As at December 31, 2016, the facility was not drawn upon (2015: nil).
- Credit facility #2 - Demand loan up to \$2,000,000 to provide bridge financing for capital projects as required. The facility bears interest at prime plus 0.75% and is repayable at the discretion of RBG. As at December 31, 2016, \$1,202,495 (2015: \$1,604,688) of the demand loan was drawn upon. Subsequent to yearend, the demand loan was fully repaid.

As at December 31, 2016, the RBG has a letter of credit in the amount of \$22,054 (2015: \$298,170) in favour of the City of Hamilton for the Rock Garden project.

Security for the facilities includes the following:

- General security agreement providing a first charge over all accounts receivable, inventory and equipment other than leased assets, land and buildings, plants, living collections, library artifacts, patents and investments;
- Bank to be named as loss payee on business and fire insurance; and
- Assignment and pledge of investment portfolio registered in Ontario under the Personal Property Security Act (PPSA) with enabling resolution. The market value of the investment portfolio pledged as collateral at December 31, 2016 is \$3,035,281 (2015: \$2,542,354), which are included with investments on the statement of financial position.

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

5. CAPITAL ASSETS

The change in net book value of capital assets is due to the following:

	2016	2015
Balance, beginning of the year	\$ 41,699,777	\$ 31,676,489
Purchase of capital assets funded by deferred capital contributions	1,856,505	8,266,185
Purchase of land funded through contributions	-	867,252
Purchase of internally funded capital assets	-	2,753,424
Capital assets contributed during the year	88,180	-
Amortization of capital assets	(2,426,440)	(1,863,573)
<b>Balance, end of the year</b>	<b>\$ 41,218,022</b>	<b>\$ 41,699,777</b>

Capital assets consist of the following:

	2016		2015	
	Cost	Accumulated Amortization	Net	Net
Land	\$ 876,681	\$ -	\$ 876,681	\$ 876,681
Buildings	33,834,498	13,090,855	20,743,643	15,520,198
Mechanical equipment	3,303,455	2,264,204	1,039,251	958,101
Gardens and natural area infrastructures	21,654,606	5,062,212	16,592,394	3,191,264
Roadways and parking lots	2,469,684	2,018,234	451,450	565,402
Vehicles and equipment	2,495,547	2,114,127	381,420	236,943
Furniture and fixtures	2,608,191	1,653,674	954,517	1,032,567
Computer equipment	2,133,444	2,028,262	105,182	29,118
Media stock	252,244	252,244	-	-
Exhibits	935,806	862,322	73,484	60,138
Construction in progress	-	-	-	19,229,365
	<b>\$ 70,564,156</b>	<b>\$ 29,346,134</b>	<b>\$ 41,218,022</b>	<b>\$ 41,699,777</b>

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the following:

	2016	2015
Balance, beginning of the year	\$ 39,168,236	\$ 32,475,367
Contributions received for capital purposes	5,063,974	8,538,105
Funds received relating to prior years' capital	-	10,942
Amortization of deferred capital contributions	(2,422,722)	(1,856,178)
<b>Balance, end of the year</b>	<b>\$ 41,809,488</b>	<b>\$ 39,168,236</b>

Deferred capital contributions consist of the following:

Deferred capital contributions - capital assets	\$ 38,983,002	\$ 38,046,518
Deferred capital contributions - capital funding	2,826,486	1,121,718
	<b>\$ 41,809,488</b>	<b>\$ 39,168,236</b>

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

7. DEFERRED OPERATING CONTRIBUTIONS

The change in deferred operating contributions is due to the following:

	2016	2015
Balance, beginning of the year	\$ 8,293,528	\$ 8,686,132
Contributions received from corporate and private sources	3,226	208,228
Amount drawn from funds during the year	(911,428)	(1,156,627)
Investment income allocation	305,459	535,073
Restricted investment income earned on endowments	98,566	214,979
Change in market value of investments	146,375	(194,257)
	(357,802)	(392,604)
Balance, end of the year	\$ 7,935,726	\$ 8,293,528

Deferred operating contributions consist of the following major external restrictions:

Operations	\$ 202,041	\$ 187,040
Gardens and natural lands	5,625,984	6,065,797
Collections	190,765	168,454
Science and education	1,110,258	1,062,901
Staffing and administration	806,678	809,336
	\$ 7,935,726	\$ 8,293,528

8. UNRESTRICTED NET ASSETS

Unrestricted net assets consists of the following:

	Unrestricted	Invested in capital assets	Total
Balance, beginning of the year	\$ (561,602)	\$ 2,785,749	\$ 2,224,147
Excess of revenues over expenses for operations	38,116	-	38,116
Amortization of investment in capital assets	-	(3,718)	(3,718)
Funds received relating to prior years' internally funded capital assets	1,414,520	(1,414,520)	-
Change in unrealized gain on investments	171,759	-	171,759
Balance, end of the year	\$ 1,062,793	\$ 1,367,511	\$ 2,430,304

Amounts pledged towards the Rock Garden campaign are not recognized until the cash is received. As cash is received in future periods, amounts will be transferred from net assets invested in capital assets back to unrestricted net assets. The contributions received will be recorded in deferred capital contributions - capital assets on the statement of financial position and amortized over the life of the Rock Garden assets.

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

9. INTERNALLY RESTRICTED NET ASSETS

During the year, the RBG received an unrestricted estate donation in the amount of \$88,929 (2015: \$2,650,974). The donation is internally restricted by the RBG Board of Directors for maintaining the garden areas and strategic initiatives. The RBG Board will approve the use of these funds. During the year, no amounts were drawn from the internally restricted net assets.

10. ENDOWMENTS

Contributions restricted for endowments consist of donations received by the RBG where the endowment principal is required to remain intact. Accordingly, these amounts are classified as long term investments. The investment income generated from the endowments must be used in accordance with the purposes established by donors.

	2016	2015
Balance, beginning of the year	\$ 2,707,997	\$ 2,773,264
Endowments received from private sources	2,527	2,632
Investment income required to be held as endowment	16,812	16,482
Change in market value of investments	79,259	(84,381)
<b>Balance, end of the year</b>	<b>\$ 2,806,595</b>	<b>\$ 2,707,997</b>

11. AUXILIARY OF THE ROYAL BOTANICAL GARDENS

The accounts of the Auxiliary are presented separately and are not consolidated in these financial statements. Due to the nature of the operations, all of the net assets of the Auxiliary represent unrestricted funds. As at December 31, 2016, the balance of unrestricted funds of the Auxiliary was \$122,244 (2015: \$156,139). During the year, the Auxiliary made donations of \$25,000 (2015: \$95,017) to the RBG.

12. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the RBG may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the RBG.

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

13. REVENUE

	2016	2015
Investment income earned during the year	\$ 787,012	\$ 1,622,469
Less: Investment management fees	(100,182)	(90,238)
Net investment funds available for allocation	686,830	1,532,231
Allocation to deferred operating contributions	(404,025)	(750,052)
Allocation to internally restricted net assets	(107,917)	(142,685)
Allocation to endowments	(16,812)	(16,482)
<b>Total investment income</b>	<b>\$ 158,076</b>	<b>\$ 623,012</b>
Admissions, marketing and visitor experience consist of:		
General and miscellaneous marketing revenue	\$ -	\$ 67,909
Admissions and special events	1,098,439	952,513
Food and beverage	304,780	169,647
Rentals	453,783	524,821
Garden shop sales	712,825	691,458
<b>Total admissions, marketing and visitor experience</b>	<b>\$ 2,569,827</b>	<b>\$ 2,406,348</b>
Mandated activities consist of:		
Horticulture - gardens, parklands and collections	\$ 727,200	\$ 17,435
Conservation and environmental programs	905,513	609,259
Scientific and research programs	330,206	230,361
Education programs	1,306,271	1,440,739
<b>Total mandated activities</b>	<b>\$ 3,269,190</b>	<b>\$ 2,297,794</b>

14. FINANCIAL INSTRUMENTS

Risks and Concentrations

The RBG is exposed to various risks through its financial instruments. The following analysis provides a measure of the RBG's risk exposure and concentrations at December 31, 2016.

(a) Liquidity Risk

Liquidity risk is the risk that the RBG will encounter difficulty in meeting obligations associated with financial liabilities. The RBG is exposed to this risk mainly in respect of its demand loan and accounts payable. The RBG's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The RBG achieves this by maintaining sufficient cash and cash equivalents.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The RBG's main credit risks relate to its accounts receivable. The RBG provides credit to its clients in the normal course of its operations.

ROYAL BOTANICAL GARDENS  
(A Corporation without Share Capital)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

14. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The RBG is exposed to currency risk, interest rate risk and other price risk.

(i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Some of the RBG's assets are exposed to foreign exchange fluctuations. As at December 31, 2016, bank indebtedness of \$10,463 (2015: \$38,833) is recorded in US dollars and converted into Canadian dollars. Approximately 41% (2015: 41%) of the RBG's investments are held in US dollars and converted into Canadian dollars.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The RBG is exposed to interest rate risk on its floating interest rate demand loan, which subjects the RBG to a cash flow risk.

(iii) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The RBG is exposed to other price risk due to a substantial portion of its assets being held in investments, which are susceptible to fluctuations in market values. To manage this risk, RBG management and the Board of Directors reviews its investment strategies at least annually with the RBG's investment advisor.